3.1 AMOUNT, DURATION AND SCOPE OF ASSISTANCE

C. Quantities and Duration

1. Covered outpatient drugs are reimbursed up to 34-day supply per prescription. For those drugs that are only packaged in quantities that exceed thirty-four (34) days supply, reimbursement and quantity will be permitted based on the available packaging. The number of refills per prescription will be in accordance with state and federal law and regulations.

2. Certain drugs are limited by quantity, number of allowable refills or duration of use.

D. Drug Rebate Agreements

The State is in compliance with §1927 of the Social Security Act. The state will cover drugs of federal rebate participating manufacturers. The state is in compliance with reporting requirements for utilization and restrictions to coverage. Pharmaceutical manufacturers can audit utilization data. The unit rebate amount is confidential and cannot be disclosed for purposes other than rebate invoicing and verification.

The state will be negotiating supplemental rebates in addition to the federal rebates provided for in Title XIX. Rebate agreements between the state and a pharmaceutical manufacturer will be separate from the federal rebates.

A rebate agreement between the state and a drug manufacturer for drugs provided to the Medicaid program, submitted to CMS on September 5, 2002 and entitled "State of West Virginia Supplemental Rebate Agreement" has been authorized by CMS.

Supplemental rebates received by the State in excess of those required under the national drug rebate agreement will be shared with the Federal government on the same percentage basis as applied under the national rebate agreement.

All drugs covered by the program, irrespective of a prior authorization requirement, will comply with the provisions of the national drug rebate agreement.

E. Preferred Drug List with Prior Authorization

1. Pursuant to 42 U.S.C.§1396r-8 and WV Code §9-5-15 the state is establishing a preferred drug list with prior authorization for drugs not included on the preferred drug list. Prior authorization will be provided with a 24-hour turn-around from receipt of request and a 72 hour supply of drugs in emergency circumstances.

2. Prior authorization will be established for certain drug classes, particular drugs or medically accepted indication for uses and doses.

3. The state will appoint a Pharmaceutical and Therapeutic Committee or utilize the drug utilization review committee in accordance with federal law.

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own handwriting, "Brand Medically Necessary" or state such to the pharmacist for an oral prescription order. If the brand name drug is so ordered, the pharmacist may indicate this by using the appropriate "Dispensed as Written" (DAW) code, and reimbursement will be made at the brand drug rate.

All such certified prescriptions must be maintained in the pharmacy files and made available for inspection by the United States Department of Health and Human Services or the State agency.

B. Reimbursement for drugs shall not exceed the lowest of the following:

a. The Estimated Acquisition Cost (EAC), AWP minus 12%, of the drug plus a dispensing fee, or
b. The Federal Upper Limit (FUL), Maximum Allowable Cost (MAC) of the drug, in the case of a multi-source (generic), plus a dispensing fee, or
c. State Maximum Allowable Cost (SMAC), plus a dispensing fee, or
d. The provider's usual and customary charge of the drug to the general public.

Exception: the FUL, MAC or SMAC shall not apply in the case where a physician certifies in his/her handwriting the "Brand Necessary" is required and medically necessary.

Methodology for SMAC including Legend Drugs and selected Over the Counter Preparation (OTCs).

State Maximum Allowable Cost (SMAC) will be determined using 130% of the lowest WAC (Wholesale Acquisition Cost) as provided by national drug information suppliers for three (3) manufacturers or; State Maximum Allowable Cost (SMAC) based upon a mean average of pharmacy provider costs obtained through a survey of a percentage of pharmacy providers that are representative of the overall geographical distribution, service volume, and business structures of all pharmacies serving the West Virginia Medicaid Program. This methodology will be used to adjust the pricing methodology described above in accordance with drug market competition, and to establish SMAC pricing in those instances where less than three (3) manufacturers are supplying products in the market. The following steps outline this process:

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a. A survey of pharmacy providers will be conducted for the determination of the SMAC price through a voluntary advisory process in which pharmacy providers are requested or advised to provide their inventory pricing. The survey will be sent to a statistically valid set of pharmacies, including pharmacies in rural and urban settings with both chain and independent pharmacy representation, for this survey.

b. The provided drug purchase information will be entered into a database and reviewed to identify all potential errors, such as incomplete or incorrect national drug codes (NDCs) and missing pricing information. A per unit price for each line of information will be computed.

c. All brand and generic drug products meeting the criteria for therapeutic equivalency ("A" rated) product availability and utilization will be grouped based on similar chemical composition, package size, dose and form. Each common class of brand and generic drugs will be considered to be a "drug group" and assigned a drug group number.

d. All unit costs computed for each brand and generic drug in each drug group will be sorted from high to low, and the number of pharmacies reporting purchases at the same unit cost will be recorded. Each computed unit cost will then be multiplied by the number of pharmacies reporting purchasing the drug at that price.

e. The total number of pharmacies reporting unit cost information for each drug in the drug group will be summed. The State will determine weighted prices based on the individual drug price multiplied by the number of pharmacies purchasing drugs at each reported price. The sum of the weighted prices will then be divided by the sum of the number of pharmacies reporting purchasing information. This calculation will produce the "average acquisition cost".

f. The resulting "average acquisition cost" will then be multiplied by a factor to produce a State MAC rate. The factor, referenced as the "State MAC multiplier" reflects the percentage variance in pharmaceutical prices that may be accommodated by the State MAC rate. The current state MAC multiplier of 2.1 means that a particular state MAC rate should accommodate the pharmacies' drug acquisition costs up to 210% above the average acquisition price for drugs in a particular drug group.

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g. The State MAC rate will be applied to all brand and generic drug products in each drug group. Non-"AB" rated drugs recognized by national drug information suppliers as comparable to a particular brand drug will be subjected to the same State MAC rate applicable to the brand and "AB" rated generic drugs of the same chemical composition, package size, dose, and for (drug group).

h. The determination of which drugs will be part of a SMAC list will be designated by the Bureau. Drugs no longer available at the State MAC price will be removed. New drugs will be added to the SMAC as they are identified. The Bureau will continually monitor pharmacies and industry information and make changes to the SMAC to reflect current pharmaceutical market conditions. The Bureau reserves the right to revise the individual SMAC prices from time to time based on factors such as, but not limited to, supply and variability within market and market access.

C. Compounded Prescriptions: Payment will be based upon the estimated acquisition cost (EAC) from the current price in effect on the date of service for each ingredient, one of which must be a legend item. A fee of $1.00 will be added to the reasonable dispensing fee for the extra compounding time required by the pharmacist.

D. Compounded prescriptions for parenterally administered drugs: Payment will be based upon the estimated acquisition cost (EAC) of the drug plus a compounding fee determined by the agency to cover the cost of specially prepared admixtures and case management services for drugs requiring parenteral administration.

E. Dispensing fee limitations: Providers of pharmacy services to recipients residing in nursing facilities will be limited to one dispensing fee per drug entity dispensed within the same given month.